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SUBJECT: UNIDO-OVERHEAD DEFICIT CAUSING CURTAILMENT OF STAFF

REF: A. VIENNA A-365 JULY 26, 1974

B. VIENNA 8056 SEPT. 18, 1974

1. SUMMARY. IN ABSENCE OF ACTION AT 29TH GA TO MAKE ADDITIONAL BUDGETARY PROVISION TO OFFSET DEFICIT IN UNIDO'S OVERHEAD ACCOUNT AND WITHOUT PROSPECT OF WINDFALL FROM OTHER POSSIBLE SOURCES, UNIDO SECRETARAIAT HAS CURTAILED NEW HIRING OF STAFF AND IS NOT RENEWING SHORT-TERM CONTRACTS AS THEY EXPIRE. END SUMMARY.

2. ALTHOUGH END OF 1974 DEFICIT IN UNDP OVERHEAD ACCOUNT PROVED \$623,000, INSTEAD OF CIRCA \$1 MILLION EARLIER PROJECTED, HAVSI PROBLEM OF UNIDO INCURRING PROGRESSIVELY GREATER INDEBTEDNESS REMAINS AND EXACERBATED BY REQUIREMENT OF REPAYING UNDP FOR DEFICIT INCURRED OVER 1973 AND 1974.

3. SECRETARIAT'S MID-1974 PROJECTION OF \$1 MILLION DEFICIT BY YEAR'S END WAS PROBABLY SOMEWHAT PESSIMISTIC, AND \$152,000 CREDIT ASSIGNED UNIDO BY UNDP FOR OLD SIS

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OVERHEADS HELPED SUBSTANTIALLY IN REDUCING THE DEFICIT; ACTUAL YEAR-END FIGURE ALSO REFLECTED EARNINGS OF ABOUT

\$100,000 MORE IN OVERHEADS THAN EARLIER ESTIMATED AS RESULT OF SOMEWHAT GREATER PROJECT DELIVERY (\$23.5 MILLION) THAN ANTICIPATED. HOWEVER, A KEY FACTOR WAS REDUCTION OF \$180,000 IN ESTIMATED EXPENDITURES ACHIEVED THROUGH SAVINGS ON SALARIES AND ALLOWANCES.

4. PERSONNEL SAVINGS IN SECOND HALF OF 1974 MADE BY RESTRICTING SHARPLY NEW APPOINTMENTS OR RENEWALS OF PERSONNEL CONTRACTS OF STAFF CHARGEABLE TO OVERHEADS AND GREATER RESTRAINT IN HIRING OF NEW STAFF UNDER REGULAR BUDGET. MOREOVER, MAXIMUM USE WAS MADE OF USING RESULTING VACANCIES IN REGULAR BUDGET MANNING TABLE TO PICK UP PERSONNEL OTHERWISE CHARGEABLE TO OVERHEADS.

5. THESE MEASURES WERE CARRIED OUT LARGELY AT THE INITIATIVE OF UNIDO'S ADMINISTRATIVE STAFF (NOTABLY PIERRE GOHOREL, CHIEF OF FINANCIAL SERVICES), WITH GRUDGING TOLERANCE OF UNIDO'S PREVIOUS EXECUTIVE DIRECTOR. UPON ABDEL-RAHMAN'S DEPARTURE, ACTING DIRECTOR OF ADMINISTRATION GEOFFREY HOLMES (VIGOROUSLY PRODDED BY GOHOREL AND ACTING CHIEF OF PERSONNEL BERTRAM BORSUK) SOUGHT OBTAIN AUTHORITY FROM NEW EXEC. DIRECTOR TO EFFECT VIRTUAL TOTAL FREEZE ON NEW HIRING AND RENEWAL OF SHORT-TERM CONTRACTS, AND TO ESTABLISH SUBSTANTIVE PRIORITIES FOR USE IN EXTENSION OF STAFF WHEN CONTRACTS EXPIRE OR WITH REGARD TO SHIFTING OF STAFF CHARGEABLE TO OVERHEADS INTO VACANCIES UNDER REGULAR BUDGET MANNING TABLE.

6. APPARENTLY WITHOUT AWAITING A DECISION BY KHENE, SECRETARIAT PROCEEDED IN LATE JANUARY SUSPEND ALL RECRUITMENT IN PROCESS (WITH EXCEPTION OF TWO INTER-REGIONAL ADVISER POSTS) INCLUDING SEVERAL CASES WHERE FORMAL JOB OFFERS HAD BEEN TENDERED (UNIDO EVEN PAYING INDEMNITY IN TWO OR THREE SUCH CASES), AND TO INFORM ALL SHORT-TERM PERSONNEL (CONTRACTS OF LESS THAN ONE YEAR) WHOSE CONTRACTS EXPIRE IN FIRST QUARTER OF 1975 THAT THEY WILL NOT BE EXTENDED LIMITED OFFICIAL USE
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UNLESS FINANCIAL PICTURE CHANGES. FOREGOING AFFECTS FIVE PROFESSIONAL-LEVEL STAFF, ALL COINCIDENTALLY FROM GROUP B COUNTRIES OF WHICH THREE ARE US NATIONALS (PALTAUF, SALE AND WALKER--ALL EARLIER HAD BEEN LED TO EXPECT THAT THEY WOULD RECEIVE REGULAR CONTRACTS UPON EXPIRY OF SHORT-TERM CONTRACTS. MRS. SALE, HOWEVER, PROBABLY WILL BE SAVED; SHE WILL BE PICKED UP IMMEDIATELY AS PART OF INFORMATION SERVICES STAFF FOR LIMA CONFERENCE AND HOPEFULLY THERE APPEARS BE LIKELIHOOD SHE CAN BE CARRIED WITH

THAT OFFICE UNTIL FINANCIAL SITUATION PERMITS OFFERING
HER A REGULAR CONTRACT.)

7. WHILE GROUP B NATIONALS TOOK BRUNT OF DECISION NOT
EXTEND SHORT-TERM CONTRACTS EXPIRING DURING FIRST
QUARTER, SOCIALIST COUNTRY NATIONALS CONSTITUTE
MAJORITY OF SHORT-TERMERS WHOSE CONTRACTS EXPIRE
DURING SECOND QUARTER. THEIR MISSIONS CAN BE EXPECTED
VIGOROUSLY RESIST APPLICATION OF THIS POLICY TO THEIR
NATIONALS AND WE SHALL FOLLOW OUTCOME CLOSELY.

8. ON 30 JANUARY NEW EXEC. DIRECTOR MET WITH HIS
SENIOR ADVISER AND SENIOR ADMINISTRATIVE STAFF AND
ENUNCIATED POLICY SOMEWHAT AT VARIANCE WITH FOREGOING.
HE STATED, INTER ALIA, THAT UNIDO SHOULD GIVE
EMPHASIS TO OPERATIONAL ACTIVITIES, AND THAT RECRUITMENT
OF PROFESSIONALS ESSENTIAL TO THAT WORK "WAS NOT TO BE
JEOPARDIZED;" ANY ADVERSE ACTION AFFECTING STAFF SHOULD
BE POSTPONED UNTIL EARLY MARCH. WHILE UNIDO MUST LIVE
WITHIN ITS AVAILABLE FINANCIAL RESOURCES "AS A MATTER
OF PRINCIPLE", IT WAS EVIDENT UNIDO WOULD REQUIRE
INCREASED RESOURCES UNDER THE UN REGULAR BUDGET.
CONCURRENTLY, HE ESTABLISHED A DIRECTORS TASK
FORCE UNDER CHAIRMANSHIP OF AZMI AFIFI TO REVIEW
THE MANNING TABLE AND ESTABLISH PERSONNEL PRIORITIES..

9. KHENE'S CONCLUSIONS NOTWITHSTANDING, GOHOREL AND
BORSUK--APPARENTLY SUPPORTED BY HOLMES--INSIST THEY
ARE BOUND BY UN FINANCIAL REGULATIONS THAT
PROHIBIT AUTHORIZING OBLIGATIONS FOR WHICH FUNDS
DO NOT EXIST AND ARE HOLDING TO THE MEASURES DESCRIBED
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IN PARA 5-7.

10. IMPLICATIONS OF THIS SITUATION ARE MANIFOLD.
MOST IMPORTANTLY, IT HAS FORCED A CLEAR CHOICE
BETWEEN CONCENTRATION ON OPERATIONAL ACTIVITIES AND
EXPANSION OF UNIDO'S CAPACITY TO IMPLEMENT
RECOMMENDATION I OF THE AD HOC COMMITTEE ON LONG-RANGE
STRATEGY; NOT ONLY HAS THE CHOICE FAVORED THE FORMER,
BUT LEADING TO A NEW REDUCTION IN STAFF FOR AT LEAST
THE IMMEDIATE FUTURE, THE SITUATION PROVIDES TO
LIMIT UNIDO'S CAPABILITY TO EXPAND MATERIALLY ITS PRESENT
LEVEL OF DELIVERY OF TECHNICAL ASSISTANCE. THUS, PRESSURES
TO RELIEVE UNIDO'S FINANCIAL CONSTRAINTS ARE APT TO
BECOME EVEN MORE
VIGOROUS, AND TO THE EXTEND GROUP B (AND THE US
IN PARTICULAR) ARE PUBLICLY IDENTIFIED AS OPPOSING
THESE PRESSURES THE ATMOSPHERE OF CONFRONTATION WILL
SHARPEN. ON A MORE PEDESTRIAN LEVEL, POSSIBILITIES

FOR PLACEMENT OF US NATIONALS IN UNIDO SECRETARIAT
POSTS FOR THE PRESENT ARE GREATLY REDUCED, GIVEN
THE CURTAILMENT OF HIRING. ON THE POSITIVE SIDE,
A DECISION HAS BEEN TAKEN TO REVIEW THE MANNING TABLE
AND THIS MAY LEAD TO BETTER FUTURE USE OF RESOURCES. GRIBBLE

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